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DENMARK

Key Economic Indicators

(Millions of current U.S. dollars unless otherwise indicated)

	1999	2000	2001 1/
Income, Production and Employment:			
Nominal GDP 2/	176,160	162,608	168,000
Real GDP Growth (pct) 2/ 3/	2.1	3.2	1.2
GDP by Sector: 4/			
Agriculture	4,018	3,693	3,800
Manufacturing	26,030	24,276	25,000
Services	72,261	68,234	70,700
Government	34,214	30,520	31,500
Per Capita GDP (US$) 2/	33,118	30,467	31,360
Labor Force (000s)	2,823	2,837	2,844
Unemployment Rate (pct)	5.6	5.3	5.2
Money and Prices (annual percentage growth):			
Money Supply Growth (M2) (pct)	2.8	-1.4	2.3
Consumer Price Inflation (pct)	2.5	3.0	2.3
Exchange Rate (DKK/US$ annual average)			
Official	6.98	8.09	8.09
Balance of Payments and Trade:			
Total Exports FOB 5/	49,679	50,132	55,000
Exports to United States 5/	2,774	2,977	3,700
Total Imports CIF 5/	44,669	44,218	47,000
Imports from United States 5/	2,131	1,810	2,000
Trade Balance 5/	5,010	5,914	8,000
Balance with United States 5/	643	1,167	1,700
External Public Debt	25,072	27,070	22,000
Fiscal Deficit/GDP (pct)	-3.1	-2.8	-2.0
Current Account Surplus/GDP (pct)	1.7	2.2	3.1
Debt Service Payments/GDP (pct)	1.4	1.9	1.7
Gold and Foreign Exchange Reserves	24,240	15,093	17,000
Aid From United States	N/A	N/A	N/A
Aid From Other Sources	N/A	N/A	N/A

Dollar figures are based on mean exchange rate for calendar year.

1/ 2001 figures are all estimates based on available data as of October 5, 2001.
2/ Gross Domestic Product in Market Prices.
3/ Percentage changes calculated in local currency.
4/ GDP measured as "Gross Value Added by Industry."
5/ Merchandise trade (excluding European Union agricultural export subsidies).
Sources: Danish Bureau of Statistics, Danish Ministry of Economics, Danmarks Nationalbank (the Central Bank), and Embassy calculations/projections.

1. General Policy Framework

Denmark is a small, highly industrialized "value-added" country with a long tradition of extensive foreign trade, free capital movement, and political stability. It also has an efficient and well-educated labor force, and a modern infrastructure that effectively links Denmark with the rest of Europe. The Oeresund bridge connecting Denmark and Sweden that opened in 2000 is expected to assist the Oeresund region to become a center and a gateway that will attract significant foreign investment in high-tech industries, including biotechnology, pharmaceutical research, and information technology. Denmark's natural resources are concentrated in oil and gas fields in the North Sea, which have, together with renewable energy, made Denmark a net exporter of energy.

Despite projected economic growth rates of less than two percent annually in 2001 and 2002, the Danish economy is fundamentally strong, with comfortable public budget and balance of payments surpluses. In addition, the Danish economy, due to its dependence on foreign developments, is flexible and ready to adapt rapidly to changed world developments. Following the September 11, 2001, terrorist attacks in the United States, economic growth projections have been slightly reduced and it is the government's hope and goal to avoid a recession. The government pursues a carefully monitored economic policy including a fiscal policy of small public expenditure increases and a tight monetary and exchange rate policy firmly linking the Danish krone to the European Union's (EU) common currency, the euro.

Developments during the first half of 2001 in some key economic indicators (limited growth in private consumption, mostly due to a drop in car sales, and a growing surplus on the current account) suggest that the government's austerity measures, the "Whitsun Package" introduced in the summer of 1998, remain efficient. The Whitsun package, which aimed at curbing private consumption and restoring a balance of payments surplus, includes reduction of tax credits for debt interest payments in order to discourage new loan taking. The measures also aimed at increasing the incentive to work for low-income earners by reducing taxation in the middle bracket of the progressive income tax system. The government projects that the surplus in the public budget will drop from three percent of GDP in 2000 to two percent in 2001, with a further drop to 1.7 percent projected for 2002. This is due to the generally lower economic activity and to new large tax deductions for pension funds' losses in 2001 on their stock holdings. The inflation rate has dropped from three percent in 2000 to 2.3 percent in 2001. The inflation is mostly fueled domestically with wage inflation running at about four percent.

Denmark welcomes foreign investment, and is home to close to 300 subsidiaries of U.S. companies. From 1997 through 1999, U.S. direct investment in Denmark almost quintupled to some $11.2 billion (at market value using the current DKK/$ exchange rate). Most of the increase in U.S. direct investment has been in the form of acquisitions of Danish IT and telecom companies. Denmark also welcomes foreign firms focused on doing business in the former East Bloc countries. In that respect, Denmark has a number of preferential joint venture investment and investment guarantee programs and also makes available Danish and EU grants for improving the environment in those countries. The American Chamber of Commerce in Denmark was established in 1999 and a number of leading Danish and American firms are members of the Danish-American Business Forum, which aims at promoting direct investment and exchanges of know-how.

Denmark's opt-out of the European Monetary Union's (EMU) third phase (establishment of a joint EU currency and relinquishment of jurisdiction over monetary policy) was maintained in a referendum on September 28, 2000, when 53.2 percent of the voters rejected Danish participation. Several years are likely to pass before a Danish Government will test this opt-out again, although Denmark's economic performance is likely to continue to meet the established convergence criteria for participating in the EMU's third phase.

2. Exchange Rate Policy

Denmark is a member of the European Monetary System (EMS) and its Exchange Rate Mechanism (ERM). From the early 1980s until 1999, the Government linked the krone closely to the German mark through the ERM, and beginning January 1, 1999, (through the ERM2) to the euro. In August 2001, the trade-weighted value of the krone was 2.1 percentage points higher than in August 2000, due mostly to the krone's appreciation against the Swedish krone and the yen. In the first eight months of 2001 compared with the same period in 2000, the krone dropped some six percent against the dollar (from DKK 7.83 to DKK 8.35 to $1.00). Despite this increase in the dollar rate, the krone-value of U.S. exports to Denmark (as measured by the Danish Bureau of Statistics) in the first seven months of 2001 rose some 10 percent. In the same period, Danish exports to the United States benefited from the high dollar and increased close to 30 percent in krone-value. The development in U.S. exports to Denmark indicates that U.S. exports to Denmark in 2000 had reached a base level less sensitive to dollar rises

3. Structural Policies

Danish price policies are based on market forces. The Government's Competition Agency regulates entities with the ability to fix prices because of their market dominance. Denmark, during 1997, changed its competition legislation from the former "control" principle to the internationally recognized "prohibition" principle. The law was expanded in late summer 2000 to include "merger control." Since 1998, the Competition Agency has made raids on some 40 companies and in all but one or two found proof of anti-trust violations.

The highest marginal individual income tax rate, including the gross labor market contribution "tax," is about 64 percent, and applies to taxable earnings exceeding some $37,600 (2001). Foreign executives, earning more than $65,000 annually and foreign researchers working in Denmark on a contract may for a period of up to three years benefit from more lenient income taxation, a flat 33 percent tax on gross income. Danish employers are almost alone in the EU in paying virtually no non-wage compensation. The government pays most sick leave and unemployment insurance costs. Employees pay their contribution to unemployment insurance out of their wages, while a large part of unemployment benefits is financed from general revenues.

The Danish United States Value-Added Tax (VAT), at 25 percent, is the highest in the EU. As VAT revenues constitute more than one-quarter of total central government revenues, a reduction would have severe budgetary consequences. The government therefore has no plans to reduce the VAT, and hopes that EU VAT rate harmonization will raise the VAT rates of other EU countries. Environmental taxes are increasingly being imposed on industry (with some roll-back for anti-pollution efforts) and on consumers. The corporate tax rate is at present 30 percent and favorable depreciation rules and other deductions exist.

4. Debt Management Policies

Except for 1998, Denmark has had a balance of payments surplus since 1990. Consequently, foreign debt gradually fell from over 40 percent of GDP in 1990 to some 17 percent at the end of 2000. With a projected surplus of more than $5 billion on the balance of payments in 2001, the foreign debt's share of GDP is projected to fall to some 13 percent. Net interest payments on the foreign debt in 2000 cost Denmark some four percent of its goods and services export earnings. Moody's Investors Service and Standard and Poor's give the public domestic debt their highest ratings, Aaa and AAA, respectively. For the public foreign debt, their ratings are Aaa and AA+.

From 1999 to 2000, the net foreign debt (public and private) increased by some $5 billion to $27 billion, mostly due to a drop in the value of foreign stocks held by Danes. At the end of 2000, the public sector foreign debt, including foreign exchange reserves and krone-denominated government bonds held by foreigners, totaled $22 billion and the private sector foreign debt $5 billion.

During 2000, the central government debt denominated in foreign currencies dropped five percent to $10.5 billion, of which 93 percent was denominated in euros (and none in U.S. dollars). The central government foreign debt has an average term of some two years.

Denmark's central government budget deficits are not monetized, and the Danish monetary policy is aimed at maintaining a fixed krone in relation to the euro. Monetary policy is pursued through the Danish Central Bank (Danmarks Nationalbank) which sets the day-to-day interest rate on financial sector entities' current account deposits in the Central Bank and/or offer 14-day transactions where the entities either borrow in the Central Bank against collateral in securities or buy government deposit certificates. Under normal circumstances, there are no limitations on the liquidity. The Central Bank closely follows and adjusts Danish interest rates in response to European Central Bank interest rate adjustments. The Danish discount rate as of October 5, 2001, stood at 3.75 percent. The Central Bank's lending rate stood at 4.10 percent, down 1.5 percentage points from late September 2000.

5. Significant Barriers to U.S. Exports

Within the European Union, the European Commission has authority for developing most aspects of EU-wide external trade policy, and most trade barriers faced by U.S. exporters in EU member states are the result of common EU policies. Such trade barriers include: the import, sale and distribution of bananas; restrictions on wine exports; local (EU) content requirements in the audiovisual sector; standards and certification requirements (including those related to aircraft and consumer products); product approvals and other restrictions on agricultural biotechnology products; sanitary and phytosanitary restrictions (including a ban on import of hormone-treated beef); export subsidies in the aerospace and shipbuilding industries; and trade preferences granted by the EU to various third countries. A more detailed discussion of these and other barriers can be found in the country report for the European Union.

Denmark imposes few restrictions on import of goods and services or on investment. Denmark generally adheres to GATT/WTO codes and EU legislation that impact on trade and investment. U.S. industrial product exporters face no special Danish import restrictions or licensing requirements. Agricultural goods must compete with domestic production, protected under the EU's Common Agricultural Policy.

Denmark provides national and, in most cases, nondiscriminatory treatment to all foreign investment. Ownership restrictions apply only in a few sectors: hydrocarbon exploration, which usually requires limited government participation, but not on a "carried-interest" basis; arms production, non-Danes may hold a maximum of 40 percent of equity and 20 percent of voting rights; aircraft, non-EU citizens or airlines may not directly own or exercise control over aircraft registered in Denmark; and ships registered in the Danish International Ships Register, a Danish legal entity or physical person must own a significant share, about 20 percent, and exercise significant control over the ship, or the ship must be on bareboat charter to a Danish firm.

Danish law provides a reciprocity test for foreign direct investment in the financial sector, but that has not been an obstacle to U.S. investment. While no U.S. banks are directly represented in Denmark, a number of U.S. financial entities operate in Denmark through subsidiaries in other European countries, including Citicorp (through its UK subsidiary), GE Capital Equipment Finance (through Sweden), and Ford Credit Europe (through the UK).

The Government of Denmark liberalized Danish telecommunications services in 1997; however, the network, i.e., the raw copper, remained controlled by the formerly government-owned Tele Danmark A/S (now known as TDC). The large U.S. company SBC Communications (formerly Ameritech) holds a controlling interest, 42 percent, of TDC. Access for other telecom operators to the raw copper opened in 1999. Sonofon, a Norwegian Telenor-controlled cellular mobile telephone network with U.S. Bell South participation, competes with TDC in that area. A number of foreign operators, including Swedish Telia and French Orange, are making strong inroads into the Danish market, which increases competition. The Danish Government on September 20, 2001, awarded 3-G (UMTS) licenses to four companies, TDC, Telia, Orange, and the Hong Kong based HI3G, at a price of $117 million per license.

Danish government procurement practices meet the requirements of the WTO Agreement on Government Procurement (GPA) and EU public procurement legislation. Denmark has implemented all EU government procurement directives. A 1993 administrative note advised the Danish central and local governments of the EU/U.S. agreement on reciprocal access to certain public procurement.

In compliance with EU rules, the government and its entities apply environmental and energy criteria on an equal basis with other terms (price, quality and delivery) in procurement of goods and services. This may eventually restrict U.S. companies' ability to compete in the Danish public procurement market. For example, the EU "Ecolabel," the EU "Ecoaudit" and the Nordic “Swan Label” requirements may be difficult for some U.S. companies to meet. In addition, local governments to an increasing extent apply “social” criteria in their procurement, e.g., that companies employ welfare recipients in less demanding jobs. The Danish government uses offsets only in connection with military purchases not covered by the GATT/WTO code and EU legislation. Denmark has no "Buy Danish" laws.

Denmark recently finalized a regulation, which will phase out certain industrial greenhouse gases, including hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6). The Danish government will phase out import, sale, and use of these gases and new products containing them beginning in 2002, with a complete ban in effect by January 1, 2006. There are exemptions for certain products, including small refrigerating systems containing HFCs, medical aerosol sprays, vaccine coolers, and lab equipment, and all production for export is exempt. However, specific exemptions are temporary in nature (e.g., "allowed until further notice"). The phase-out is part of Denmark's Climate Change strategy, which also includes a tax on these gases and products. The U.S. air-conditioning and refrigeration industry has complained about the Danish policy, saying that it doesn't focus on emissions management, nor does it consider the energy efficiency of their products. The regulation has also been criticized for exempting exports.

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There is no record of any U.S. firm complaining about Danish customs procedures. Denmark has an effective, modern, and swift customs administration.

U.S. firms resident in Denmark generally receive national treatment regarding access to Danish R&D programs. In some programs, however, Denmark requires cooperation with a Danish company. There is no record of any complaints by U.S. companies in this area.

6. Export Subsidies Policies

EU agricultural export subsidies to Denmark totaled $374 million in 2000, about 10 percent of the value of Danish agricultural exports including export subsidies to non-EU countries. Danish government support for agricultural export promotion programs is insignificant. Denmark has limited direct subsidies for its non-agricultural exports except for shipbuilding which, until the end of 2000, benefited from a general EU-wide subsidy of nine percent of the contract value. Denmark opposes resumption of EU shipbuilding subsidies and would rather see an eventual update of the 1994 OECD agreement and subsequent ratification by the world's leading shipbuilding nations, including the United States. The former shipbuilding subsidies have not prevented the closure of many of Denmark's shipbuilders in the face of increased and (allegedly unfairly) low-priced production in the Republic of Korea and elsewhere.

The government does not directly subsidize exports by small and medium size companies. Denmark does, however, have support programs that indirectly assist exports through promotions abroad, establishment of export networks for small and medium-sized companies, research and development, and regional development.

Denmark also has a well-functioning export credit and insurance system. In its foreign development assistance, Denmark, as a general rule, requires that 50 percent of all bilateral assistance be used for Danish-produced goods and services. These programs apply equally to foreign firms that produce in and export from Denmark.

7. Protection of U.S. Intellectual Property

Denmark is a party to and enforces a large number of international conventions and treaties concerning protection of intellectual property rights, including the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement).

Patents: Denmark is a member of the World Intellectual Property Organization, and adheres to the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty, the Strasbourg Convention and the Budapest Convention. Denmark has ratified the European Patent Convention and the EU Patent Convention.

Trademarks: Denmark is a party to the 1957 Nice Arrangement and to this arrangement's 1967 revision. Denmark has implemented the EU trademark directive aimed at harmonizing EU member countries' legislation. Denmark strongly supports efforts to establish an EU-wide trademark system. Following a European Court decision in 1998 that "regional trademark consumption" applies within the EU, Denmark stopped use of the "global consumption principle." Denmark has enacted legislation implementing EU regulations for the protection of the topography of semiconductor products, which also extends protection to legal U.S. persons.

Copyrights: Denmark is a party to the 1886 Berne Convention and its subsequent revisions, the 1952 Universal Copyright Convention and its 1971 revision, the 1961 International Convention for the Protection of Performers, and the 1971 Convention for the Producers of Phonograms. There is little piracy in Denmark of music CDs or audio or video cassettes. However, computer software piracy is more widespread and estimated at over $100 million annually. Piracy of other intellectual property, including books, appears limited. There is no evidence of Danish import or export of pirated products.

New Technologies: There are no reports of possible infringement of new technologies.

Impact on U.S. Trade with Denmark: In mid-2000, the quasi-official Danish copyright collecting agency Copydan entered an agreement with the private U.S. Copyright Clearance Center providing for reciprocal reimbursement of royalty payments for photocopying of copyrighted works. In addition, Denmark in 2001 introduced new legislation which resolved a long-standing TRIPS Article 50 issue with the United States and which is expected to significantly reduce computer software piracy, particularly by private companies. Also in 2001, Denmark introduced a new levy on blank music CDs, the proceeds of which will be shared with U.S. rightholders in a way similar to the present, but naturally declining in value, levy on blank audio tapes.

8. Worker Rights

a. *The Right of Association*: Workers in Denmark have the right to associate freely, and all, except those in essential services and civil servants, have the right to strike. Approximately 80 percent of Danish wage earners belong to unions. Trade unions operate free of government interference. Trade unions are an essential factor in political life and represent their members effectively. During 2000, only 124,800 workdays were lost due to labor conflicts. This compares with the 3.2 million workdays lost in 1998 in connection with the spring 1998 labor contract negotiations (see 8.b below). Greenland and the Faroe Islands have the same respect for worker rights, including full freedom of association, as Denmark.

b. *The Right to Organize and Bargain Collectively:* Workers and employers acknowledge each other’s right to organize. Collective bargaining is widespread. Danish law prohibits antiunion discrimination by employers against union members, and there are mechanisms to resolve disputes. Salaries, benefits, and working conditions are agreed in negotiations between the various employers' associations and their union counterparts and present contracts range in length from two to four years.   If negotiations fail, a National Conciliation Board mediates, and its proposal is voted on by both management and labor. If the proposal is turned down, the government may force a legislated solution (usually based upon the mediator's proposal). In 1998, for example, failure to reach agreement resulted in a conflict in the industry sector, which lasted 11 days before the government intervened with legislation. In 2000, the mediator’s proposal for new four-year contracts in the industrial area won broad approval.   In 2001, contracts in the agricultural industry were agreed to between management and labor. In case of a disagreement during the life of a contract, the issue may be referred to the Labor Court.

Decisions of that court are binding. Labor contracts that result from collective bargaining are, as a general rule, also used as guidelines in the non-union sector.

Labor relations in the non-EU parts of Denmark (Greenland and the Faroe Islands) are generally conducted in the same manner as in Denmark.

c. *Prohibition of Forced or Compulsory Labor:* Forced or compulsory labor is prohibited and does not exist in Denmark.

d. *Minimum Age for Employment of Children:* The minimum age for full-time employment is 15 years. Denmark has implemented EU Council Directive 94/33/EU, which tightened Danish employment rules for those under 18 years of age, and set a minimum of 13 years of age for any type of work. The law is enforced by the Danish Working Environment Service (DWES), an autonomous arm of the Ministry of Labor. Danish export industries do not use child labor.

e. *Acceptable Conditions of Work:* There is no legally mandated work week or national minimum wage. The work week set by labor contracts is 37 hours. The lowest wage in any national labor agreement at present is equal to about $9.50 per hour. Danish law provides for five weeks of paid vacation each year. However, the most recent private and public sector contract agreements provide for five extra holidays to be phased in not later than 2003. Danish law also prescribes conditions of work, including safety and health; duties of employers, supervisors, and employees; work performance; rest periods and days off; medical examinations; and maternity leave. The DWES ensures compliance with workplace legislation. Danish law provides for government-funded parental and educational leave programs.

Similar conditions, except for leave programs, are found in Greenland and the Faroe Islands, but in these areas the workweek is 40 hours. Unemployment benefits in Greenland are either contained in labor contract agreements or come from the general social security system. A general unemployment insurance system in the Faroe Islands has been in force since 1992. Sick pay and maternity pay, as in Denmark, fall under the social security system.

f. *Rights in Sectors with U.S. Investment:* Worker rights in those goods-producing sectors in which U.S. capital is invested do not differ from the conditions in other sectors.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 2000

(Millions of U.S. Dollars)

Category	Amount
Petroleum	1,099
Total Manufacturing	2,340

Food & Kindred Products	(D)	
Chemicals & Allied Products	(D)	
Primary & Fabricated Metals	28	
Industrial Machinery and Equipment	(D)	
Electric & Electronic Equipment	487	
Transportation Equipment	-13	
Other Manufacturing	(D)	
Wholesale Trade		619
Banking		(*)
Finance/Insurance/Real Estate		1,278
Services		111
Other Industries		171
TOTAL ALL INDUSTRIES		5,618

(D) Suppressed to avoid disclosing data of individual companies.
(*) Less than $500,000 (+/-).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.